



Teens and auto insurance

Why does insurance cost so much for young drivers?

Statistical analysis—Insurance companies rely on many factors such as historical claims cost, age and marital status, frequency and distance of driving, driving records including accidents and violations, type of vehicle and credit history. Companies calculate a projection of claim costs on each type of driver and add expenses and profit to determine the premium it needs to charge.

Young drivers—The North Dakota Department of Transportation (DOT) reports that teenage drivers from 2001–2007 were involved in 24.2% of all property damage only crashes, 31.9% of all crashes involving an injury and 21% of all crashes in which there was a fatality. This age group, while only 11% of all drivers, accounts for 25.9% of all crashes.

Contributing factors—DOT reports that in 29% of all teenage crashes, there is no clear contributing factor, 14% of those crashes included speeding/driving too fast for conditions and 13% were affected by distractions (cell phone, texting, eating, tuning radio, picking items off car floor or talking with passengers).

Why do I need car insurance?

State law—The state of North Dakota requires automobile owners to carry automobile liability, uninsured and underinsured motorist and no-fault medical insurance.

Protection of assets—Auto liability insurance provides financial protection if the you cause injury to someone else or damage someone else's property.

Lending institution—The lending institution that loans money to buy a car may require the owner to carry comprehensive and collision coverage to protect them in the event the automobile is damaged.

What type of coverage do I need?

State requirements

Liability—Pays for injury or damage caused by you to someone else. The minimum amount required is \$25,000 for bodily injury to one person in an accident, \$50,000 for bodily injury to all people in an accident and \$25,000 for property damage in an accident. Higher limits can be purchased and are recommended.

Uninsured/underinsured motorist—Pays for bodily injury to you, if the responsible party either has no insurance or not enough insurance. The minimum amount required for each is \$25,000 for bodily injury to one person and \$50,000 for bodily injury in one accident. Higher limits can be purchased.

Personal injury protection (no fault)—Pays your medical expenses and wage loss resulting from injuries in an accident regardless of fault. The minimum amount required is \$30,000 for each person. Higher limits can be purchased.

Lender requirements

Collision—Pays for damage to the vehicle resulting from a collision with another vehicle or object or overturn of the vehicle.

Comprehensive—Pays for damage to the vehicle resulting from reasons other than collision, like hail, vandalism, theft, fire, flood and wind.

How do I get insurance coverage?

Family policy—In most cases, your parents, who provide you a car to drive, also provide the insurance by listing you as an additional driver on their insurance policy.

Individual policy—At some point, you will take ownership of an automobile and the obligation to have insurance will be yours.

In person or online—Auto insurance is generally purchased from an agent who represents an insurance company. Some companies sell insurance on the internet; if you are insurance savvy, this may be an option for you.



Are there ways to reduce the cost of insurance?

Discounts—Insurance companies offer discounts like a good student discount or a defensive driver course completion discount. Other discounts offered are multi-vehicle (more than one car insured with a company) and multi-policy (homeowners, renters and car insurance all with one company). Check with your agent to see if the company has any discounts to reduce your costs.

Driving habits—Eliminating distractions and driving appropriately for conditions will go a long way in preventing an accident. When you have an accident, your insurance premiums will usually increase.

Where can I get more information on this topic?

North Dakota Insurance Department
1-800-247-0560
insurance@nd.gov
www.nd.gov/ndins

Click on Consumers, then Auto insurance to access the Teen drivers section. You'll also find an Auto Insurance Consumer Guide and an auto insurance cost comparison survey online.